Fiscal Note 2017 Biennium

GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Bill #	SB0411		**Title:**	Plan for the closure of Montana developmental center at Boulder
Primary Sponsor:	Caferro, Mary		**Status:**	As Introduced

✓Significant Local Gov Impact ✓Needs to be included in HB 2 ✓Technical Concerns

☐Included in the Executive Budget ✓Significant Long-Term Impacts ☐Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2016 Difference	FY 2017 Difference	FY 2018 Difference	FY 2019 Difference
Expenditures:				
General Fund	$3,573,708	($3,765,027)	($9,223,201)	($9,025,667)
State Special Revenue	$2,790,000	$1,803,653	($1,803,653)	($1,626,953)
Federal Special Revenue	$3,759,769	$2,261,725	$2,586,530	$2,867,209
Revenue:				
General Fund	($1,405,353)	($7,021,410)	($6,981,773)	($7,194,879)
State Special Revenue	$2,790,000	$1,803,653	($1,803,653)	($1,626,953)
Federal Special Revenue	$3,759,769	$2,261,725	$2,586,530	$2,867,209
Net Impact-General Fund Balance:	($4,979,061)	($3,256,383)	$2,241,428	$1,830,788

Description of fiscal impact: SB 411 reduces the number of residents at the Montana Developmental Center (MDC) to no more than 12 people by June 30, 2016. The bill requires MDC to reduce capacity from 56 to 12 by transferring the remaining individuals to services in community settings. The bill ends new admissions to MDC as of 7/1/2016 unless there are fewer than 12 individuals at MDC. The bill creates a committee to research, develop, and make recommendations for the closure of MDC. The bill closes the facility completely by June 30, 2017.

FISCAL ANALYSIS

Assumptions:

Department of Public Health and Human Services

Developmental Services Division

Timeframes

1. The department will work to reduce the number of individuals at MDC to no more than 12 people by June 30, 2016 and completely close the facility by June 30, 2017.

2. The timeframes for reduction of the population and closure of the facility necessitate a plan that can begin implementation by July 1, 2015.
3. It is assumed that DPHHS will pursue a new waiver with CMS and will have the new waiver in place as of January 1, 2016 in order to transfer people to the community.

Financial Impacts

The following assumptions are summarized in the table on page 4.

4. Advisory Committee
    a. There will be a committee that will work with the department throughout the reduction and closure process that will meet at least quarterly in Helena or Boulder.
    b. There will be 11 members of the committee who will incur travel and/or salary expenses related to their service on the committee.
    c. Committee costs are estimated to be $13,773 in FY 2016 and FY 2017. These expenses would be paid 50% General Fund and 50% Federal Funds.
5. Contracted Activities. The department will contract for the following activities:
    a. MDC Closure Support
        i. A contractor will evaluate the existing clients; advise in transitioning clients under forensic commitments; inventory the existing resources in the community; assist with the transition of clients to community services, and assist with stabilizing work force at MDC during closure.
        ii. MDC closure support is estimated to cost $438,000 in FY 2016 and $444,570 in FY 2017. This is funded 100% General Fund.
    b. Community Based Services – ICF/IID and Forensic Commitments
        i. A contractor will provide community based ICF/IID facilities and/or forensic facilities.
        ii. The contractor will be required to serve any and all individuals, who meet the criteria set by the department. The Department will establish entrance and exit criteria.
        iii. Two community facilities are assumed to be established serving 16 clients at an average cost of $845 client per day at the standard FMAP rate. The costs are estimated to increase at 6% per year.
        iv. The contractor will begin providing services January 1, 2016.
        v. FY 2016 costs are estimated at $1,233,700 ($845 x 91 days x 16 clients).
    c. Community Based Services – Home and Community Based Services
        i. The contractor will provide a variety of community based services beginning January 1, 2016.
        ii. The contractor will be required to serve any and all individuals, who meet the criteria set by the department. The Department will establish entrance and exit criteria.
        iii. Twenty-eight clients are assumed to be transferred to community services and will have a cost plan averaging $200,000 per year at the standard FMAP rate.
        iv. FY 2016 costs are estimated at $1,400,000 ($200,000 x ¼ year x 28 clients).
    d. State Plan Medicaid Services
        i. State Plan Medicaid Services such as doctor, pharmacy, speech therapy, mental health services, etc. average approximately $25,000 in SFY 2016 per year for adults with disabilities in community settings. These costs are estimated to grow at 6% per year and are funded at the standard FMAP
    e. Crisis Services
        i. The department will contract for community crisis services beginning January 1, 2016 including crisis respite beds and a mobile response team.
        ii. Crisis respite beds are estimated at $600 per day for 8 beds.
        iii. The mobile response team is estimated at $200,000 in FY 2016 with a 1.5% cost increase per year.
        iv. Crisis services are funded 50% General fund and 50% Federal funds.

6. Montana Developmental Center – Operating Savings
   a. MDC will be closed by June 30, 2017. The remaining 12 individuals will be transferred to community services by that time.
   b. MDC operational costs will decrease by $423,771 in FY 2016, $11,913,898 in FY 2017 and $16,301,676 in FY 2018 and FY 2019.
   c. MDC costs in FY 2018 and FY 2019 are reduced to minimal facility maintenance to avoid asset denigration.
7. Montana Developmental Center – Closure Costs
   a. There will be 39 FTE reduced at MDC by March 30, 2016 and an additional 147.67 by June 30, 2016. Layoffs will be done per the union contract requirements and state policy for reduction in force. This will result in termination payouts and layoff benefits estimated at $2,046,629 in FY 2016.
   b. There will be 64 FTE reduced at MDC on June 30, 2017 when the facility is completely closed. Layoffs will be done per union contract requirements and state policy for reduction in force. This will result in termination payouts and layoff benefits estimated at $901,921 in FY 2017.
   c. The MDC bond payoff is at the end of SFY 2016 is estimated at $2,780,000. It is assumed that the bond is paid off from the final facility reimbursement receipts in FY 2016.
8. Miscellaneous Costs
   a. Administrative Rules
      i. To meet the requirements of this bill, changes to administrative rules would be necessary. The Secretary of State's office charges $50 per page for printing and publication of administrative rules. It is estimated to enact the requirements of this bill will take printing and publication of approximately 30 pages of rules for an estimated cost of $1,500. This activity would be funded with 100% general funds.
   b. Child Care
      i. The Human and Community Services Division child care program appropriated with the ICF/MR bed tax is assumed to be moved to the general fund.
9. Revenue Impacts
   a. The ICFMR Bed tax revenues will be reduced as clients are moved into community services.
      i. The ICFMR bed tax collections are currently deposited into a state special fund.
   b. Facility Reimbursement
      i. Facility Reimbursements from MDC are currently deposited into the general fund. It is assumed that revenues sufficient to pay the bond payoff in SFY 16 are transferred to the state special fund.
      ii. The loss to general fund revenue (via institutional reimbursements) as a result of the closure of MDC is outlined in the table on page 4.

SB 411 Summary of Financial Impacts

	FY 2016	FY 2017	FY 2018	FY 2019
Financial Impacts				
Total Expenditures				
Advisory Committee	$ 13,773	$ 13,773		
MDC Closure Support	$ 438,000	$ 444,570		
ICF/IID and/or Forensic Commitments	$ 1,233,700	$ 5,230,888	$ 5,544,741	$ 5,877,426
Home and Community Based Services	$ 1,400,000	$ 8,000,000	$ 8,000,000	$ 8,000,000
State Plan Medicaid Services	$ 175,000	$ 1,060,000	$ 1,123,600	$ 1,191,016
Crisis Services	$ 1,064,000	$ 1,955,000	$ 2,063,165	$ 2,177,683
Montana Developmental Center Operating Savings	$ (423,771)	$ (11,913,898)	$ (16,212,257)	$ (16,212,257)
Montana Developmental Center Closure Costs	$ 2,046,629	$ 901,921		
MDC Bond	$ 2,790,000	$ (988,900)	$ (988,900)	$ (812,200)
Administrative Rules	$ 1,500			
MDC Reimbursement Federal Medicaid Share	$ 1,384,647	$ (8,010,310)	$ (7,970,673)	$ (8,007,079)
Total Cost (State & Federal)	**$ 10,123,477**	**$ (3,306,956)**	**$ (8,440,324)**	**$ (7,785,411)**
Federal Expenditures				
Advisory Committee	$ 6,887	$ 6,887		
MDC Closure Support	$ -	$ -		
ICF/IID and/or Forensic Commitments	$ 806,223	$ 3,399,554	$ 3,600,755	$ 3,816,800
Home and Community Based Services	$ 914,900	$ 5,199,200	$ 5,195,200	$ 5,195,200
State Plan Medicaid Services	$ 114,363	$ 688,894	$ 729,666	$ 773,446
Crisis Services	$ 532,000	$ 977,500	$ 1,031,583	$ 1,088,841
Montana Developmental Center Operating Savings				
Montana Developmental Center Closure Costs				
Administrative Rules	$ 750			
MDC Reimbursement Federal Medicaid Share	$ 1,384,647	$ (8,010,310)	$ (7,970,673)	$ (8,007,079)
Total Federal Cost	**$ 3,759,769**	**$ 2,261,725**	**$ 2,586,530**	**$ 2,867,209**
State Special Cost				
Child Care	$ -	$ (814,753)	$ (814,753)	$ (814,753)
MDC Bond	$ 2,790,000	$ (988,900)	$ (988,900)	$ (812,200)
Total State Special Cost	**$ 2,790,000**	**$ (1,803,653)**	**$ (1,803,653)**	**$ (1,626,953)**
General Fund Expenditures				
Advisory Committee	$ 6,887	$ 6,887	$ -	$ -
MDC Closure Support	$ 438,000	$ 444,570	$ -	$ -
ICF/IID and/or Forensic Commitments	$ 427,477	$ 1,831,334	$ 1,943,986	$ 2,060,625
Home and Community Based Services	$ 485,100	$ 2,800,800	$ 2,804,800	$ 2,804,800
State Plan Medicaid Services	$ 60,638	$ 371,106	$ 393,934	$ 417,570
Crisis Services	$ 532,000	$ 977,500	$ 1,031,583	$ 1,088,841
Montana Developmental Center Operating Savings	$ (423,771)	$ (11,913,898)	$ (16,212,257)	$ (16,212,257)
Montana Developmental Center Closure Costs	$ 2,046,629	$ 901,921	$ -	$ -
Administrative Rules	$ 750	$ -	$ -	$ -
Child Care		$ 814,753	$ 814,753	$ 814,753
Total General Fund Cost	**$ 3,573,709**	**$ (3,765,027)**	**$ (9,223,201)**	**$ (9,025,667)**
	$ -	$ -	$ -	$ -
Revenue Impacts State Special				
ICFMR Bed Tax		$ (814,753)	$ (814,753)	$ (814,753)
MDC Reimbursement Revenue Transfer for Bond Payment	$ 2,790,000	$ (988,900)	$ (988,900)	$ (812,200)
Total State Special Revenue Impact	**$ 2,790,000**	**$ (1,803,653)**	**$ (1,803,653)**	**$ (1,626,953)**
Revenue Impacts General Fund				
MDC Facility Revenues	$ 1,384,647	$ (7,021,410)	$ (6,981,773)	$ (7,194,879)
MDC Reimbursement Revenue Transfer for Bond Payment	$ (2,790,000)			
Total General Fund Revenue Impact	**$ (1,405,353)**	**$ (7,021,410)**	**$ (6,981,773)**	**$ (7,194,879)**

Department of Corrections

10. SB 411 would terminate the Montana Development Center (MDC) in Boulder as an option for housing for persons with severe developmental disabilities.
11. Currently, there are eight individuals housed at MDC who have committed criminal acts and are committed to the custody of the Montana Department of Public Health and Human Services (DPHHS).
    a. If the Montana Developmental Center closes, DPHHS would have fewer placement options. There could be potential impact to the Department of Corrections, if DPHHS requests that the individuals who have committed criminal acts be transferred to the Department of Corrections for placement per § 46-14-312 Mont. Code Annotated. Cost per year per inmate in a female prison is $38,515 and male prison is $34,175.
12. Regardless of a transfer or not, the Montana Board of Pardons and Parole is responsible for granting parole to the eight individuals who have committed criminal acts. This bill could create an increase in the Board's travel expenses depending on where the offenders are placed.
13. The Department of Corrections recognizes that the number of crimes committed by persons with severe developmental disabilities in Montana may increase and could have a future impact.

Board of Visitors

14. New section 2 of SB411 creates a transition planning committee to make recommendations and help the department of public health and human services plan for carrying out the purposes of sections 1 through 4 of the bill. The transition planning committee includes one member of the mental disabilities board of visitors provided for in 2-15-211 MCA. This fiscal note assumes that a non-employee board member from the Board of Visitors (BOV) is selected to serve on the transition planning committee.
15. The transition planning committee is required to meet at least quarterly and is to be disbanded no later than June 30, 2017. It is assumed that the board member representative from BOV will attend a total of eight two-day-long meetings associated with participation in this committee. These costs, as well as travel, lodging, and per diem are accounted for in the DPHHS portion of this fiscal note.
16. Other costs incurred by the board member, relating to their participation in the committee meetings, will be absorbed within the budget of the Board of Visitors.

	FY 2016 Difference	FY 2017 Difference	FY 2018 Difference	FY 2019 Difference
Fiscal Impact:				
FTE	(186.67)	(250.67)	(250.67)	(250.67)
Expenditures:				
Personal Services	$1,622,857	($8,893,758)	($14,031,822)	($14,031,822)
Operating Expenses	$1,517,273	$295,124	($1,172,270)	($2,752)
Benefits/Claims	$4,193,347	$6,280,578	$6,697,668	$7,061,363
Debt Service	$2,790,000	($988,900)	($988,900)	($812,200)
TOTAL Expenditures	$10,123,477	($3,306,956)	($9,495,324)	($7,785,411)
Funding of Expenditures:				
General Fund (01)	$3,573,708	($3,765,028)	($9,223,201)	($9,025,667)
State Special Revenue (02)	$2,790,000	($1,803,653)	($1,803,653)	($1,626,953)
Federal Special Revenue (03)	$3,759,769	$2,261,725	$2,586,530	$2,867,209
TOTAL Funding of Exp.	$10,123,477	($3,306,956)	($8,440,324)	($7,785,411)
Revenues:				
General Fund (01)	($1,405,353)	($7,021,410)	($6,981,773)	($7,194,879)
State Special Revenue (02)	$2,790,000	($1,803,653)	($1,803,653)	($1,626,953)
Federal Special Revenue (03)	$3,759,769	$2,261,725	$2,586,530	$2,867,209
TOTAL Revenues	$5,144,416	($6,563,338)	($6,198,896)	($5,954,623)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($4,979,061)	($3,256,382)	$2,241,428	$1,830,788
State Special Revenue (02)	$0	$0	$0	$0
Federal Special Revenue (03)	$0	$0	$0	$0

Effect on County or Other Local Revenues or Expenditures:

1. With the closure of the MDC facility, the town of Boulder is expected to experience financial impacts due to reduction of workforce, and ancillary economic impacts of the facility's closure.

Long-Term Impacts:

1. In FY 2020 and beyond, the general fund revenue reduction will increase commensurate with the debt service payment, as the general fund savings attributable to pre-paying the existing bond obligations assumed in this fiscal note will cease, thereby causing a further decrease to general fund revenue.

Technical Notes:

1. This note assumes a Medicaid waiver would be obtained to transfer individuals to the community. If Medicaid waiver approval is not obtained, non-Medicaid approved expenses would be paid 100% from general fund, thereby increasing the cost of this fiscal note.
2. It is unknown if there are community providers willing or able to receive the placement of individuals eligible for ICF/IID services.
3. Based on the department's past experience attempting to place individuals in a community setting, it is unknown if the rates assumed in this fiscal note would be sufficient and/or acceptable to the provider

community. To the extent the assumed rates are insufficient, the cost of this note would rise commensurate with the actual rates paid to place individuals, or the department may seek placement of these individuals with out-of-state providers where services may be provided at a more competitive cost.

4. This note assumes federal funding participation of a portion of the closing costs for the facility which are reflected as general fund revenue (via institutional reimbursements) in FY 2016. To the extent federal funding is not recouped, the revenue would not be deposited in the general fund, and the net cost of closure would increase in FY 16 by approximately $1.4 million general fund.
5. Per New Section 2, the transition planning committee is not expected to complete its work until June 30, 2017, bringing into question the feasibility of implementing the committees plan, considering that the MDC facility is directed to close no later than June 30, 2017.

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*